

# **Bureau for Private Postsecondary and Vocational Education**

## **INITIAL STATEMENT OF REASONS**

**Hearing Date:** March 25, 1998

**Subject Matter of Proposed Regulation:** Approval Fees and Annual Fees

**Sections Affected:** Title 5, Division 7.5, Chapter 5, Article 1, Section 74015

**Problem Addressed:**

1. Education Code section 94932(c)(2) requires that the Bureau decrease the approval fees and annual fees charged to degree-granting and nondegree-granting institutions by percentage increments based on the annual gross revenues of the institution.
2. In order to comply with Education Code section 94932(c)(2), the Bureau must adopt regulations reducing the approval fees and annual fees charged to degree-granting and nondegree-granting institutions.

**Specific Purpose:**

To decrease approval fees and annual fees for degree-granting and nondegree-granting institutions under the Bureau's jurisdiction in percentage increments based on the annual gross revenues of the institution, as required by Education Code section 94932(c)(2).

**Factual Basis:**

1. The Governor signed AB 71 (Wright) which became effective January 1, 1998. It rewrites the Private Postsecondary and Vocational Education Reform Act of 1989, Education Code 94000 *et seq.* That rewrite included approval fee and annual fee reductions for degree-granting and nondegree-granting institutions in specified proportions.
2. Education Code section 94932(c)(2) states that:

“(2) On January 1, 1998, the Bureau shall reduce the application fees for approval and reapproval to operate and the annual fees, that are in effect on December 31, 1997, as follows:

“(A) By 5 percent for institutions whose annual gross revenues or projected annual gross revenues are one million dollars (\$1,000,000) or more.

“(B) By 10 percent for institutions whose annual gross revenues or projected annual gross revenues are one hundred thousand dollars (\$100,000) or more but less than one million dollars (\$1,000,000).

“(C) By 5 percent for institutions whose annual gross revenues or projected annual gross revenues are less than one hundred thousand dollars (\$100,000).”

**Underlying Data:**

In proposing the approval fee and annual fee regulations, the Bureau has relied upon the following materials:

- (a) The Annual Fee Schedule promulgated by the Council for Private Postsecondary and Vocational Education dated March 24, 1994, which is the fee schedule that was in effect on December 31, 1997.

**Business Impact:**

The adoption of the proposed approval fee and annual fee regulations will have a positive cost impact on all businesses which pay registration fees. The decreases in approval fees and annual fees will range from five to 15 percent — from \$5 to several hundred dollars. This will not have a significant adverse economic impact on business.

**Requirements for Specific Technologies or Equipment:**

These regulations do not mandate the use of specific technologies or equipment.

**Consideration of Alternatives on Private Persons:**

This action is required by legislation. There is no alternative to compliance with the legislation.

**Consideration of Alternatives on Small Businesses:**

Section 94932(c)(2) requires that the approval fees and annual fees be reduced based on the annual gross revenue or the projected annual gross revenue of the institution, and provides larger percentage decreases in fees to those institutions that have smaller annual gross revenues. Thus, the Legislature considered and provided for alternatives for small businesses.

## **Assessment of Economic Impact on Businesses:**

Section 94932(c)(2) requires that the approval fees and annual fees for degree-granting and non-degree-granting institutions be reduced based on the annual gross revenue or the projected annual gross revenue of the institution, and provides larger percentage decreases in fees to those institutions that have smaller annual gross revenues. Based on that fact, the Bureau has determined that: (1) the proposed regulation will not have a significant affect on the creation or elimination of jobs within the state; (2) the proposed regulation will not have a significant affect on the creation of new businesses or the elimination of existing businesses within the state; (3) the proposed regulation will not have a significant affect on the expansion of businesses currently doing business within the state; and (4) the proposed regulation may have some positive effect on businesses in that, as a result of the lower fees, institutions may create new jobs, new institutions may decide to enter the market, and existing institutions may decide to expand.

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